

17 SEP 1946

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EUROPE

1. **FRANCE: Communist comeback held possible--US Embassy**
Paris reports that highly qualified labor observers in Paris are convinced that unless the Government immediately undertakes measures to pacify "legitimate working-class anger" over the increasing cost of living, the Communist Party is very likely to make a rapid comeback as a result of unified action "from below" within the labor movement. The Embassy reports [redacted] that the Communists are now likely to try to provoke police violence in order to intensify the class struggle.

(CIA Comment: CIA concurs with these views.)

FAR EAST

2. **CHINA: Growing Nationalist sentiment for neutrality--US Embassy**
Nanking has been informed [redacted] that a new clique in the Nationalist Government has the objective of keeping China neutral in the event of an "inevitable" US-USSR war. The Embassy suggests that this information, combined with information that the Chinese Foreign Minister and the Soviet Ambassador have recently held several secret conferences, indicates that a Foreign Office group desires neutrality and is willing to appease the USSR considerably. The Embassy believes, however, that Chiang Kai-shek is basically pro-US in his orientation. The Embassy continues to believe that the USSR is seeking control of all of China via a Communist-Nationalist coalition.

(CIA Comment: Although current reports [redacted] concerning the growth of pro-Soviet sentiment in the National Government probably have a basis of truth, they may be designed primarily to exert pressure for more US aid. CIA believes that the USSR favors a Communist-Nationalist coalition in China, and will attempt to mediate in the Chinese civil war and to establish such a coalition at a time when Chiang Kai-shek has suffered major military reverses or is faced with a new political-economic crisis.)

State Department review completed

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